



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0487	<b>Title:</b>	Revise threshold for local government audit
<b>Primary Sponsor:</b>	Hiner, Cynthia	<b>Status:</b>	Second Reading - Revised

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
Proprietary Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
Proprietary Fund	(\$14,000)	(\$14,000)	(\$14,000)	(\$14,000)
<b>Net Impact-General Fund Balance</b>	<u>(\$14,000)</u>	<u>(\$14,000)</u>	<u>(\$14,000)</u>	<u>(\$14,000)</u>

**Description of Fiscal Impact:** Under this bill, local governments entities receiving revenue or financial assistance between \$200,000 and \$400,000 are no longer required to have an audit. Section 3 of the amended version of the bill results in approximately \$14,000 in lost filing fee revenue to the enterprise fund, but does not decrease the workload of the division.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Administration**

1. Section 2-7-502, MCA, provides the purpose of this section of law, known as the Montana Single Audit Act, as follows:
  - a. Improve the financial management of local government entities with respect to federal, state, and local financial assistance;
  - b. Establish uniform requirements for financial reports and audits of local government agencies;
  - c. Ensure constituent interests by determining that compliance with all appropriate statutes and regulations is accomplished;
  - d. Ensure that the financial condition and operations of the local government entities are reasonably conducted and reported

- e. Ensure that the stewardship of local government entities is conducted in a manner to preserve and protect the public trust;
  - f. Ensure that local government entities accomplish, with economy and efficiency, the duties and responsibilities of the entities in accordance with the legal requirements imposed and the desires of the public;
  - g. Promote the efficient and effective use of audit resources.
2. To accomplish the goals of the act listed above the Audit Review Section plans to implement a review process for local governments under the audit threshold as allowed under the statute. As a result, there will not be a reduction in workload or a decrease in the state costs associated with the implementation of this act. The bureau will need to provide more technical support and closer scrutiny for those entities no longer required to have audits. Without the increased reviews it will be difficult, if not impossible to meet the purpose of this act as defined above. However, revenues will be decreased by \$14,000 in fewer filing fees.

	<b><u>FY 2008 Difference</u></b>	<b><u>FY 2009 Difference</u></b>	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Revenues:</u></b>				
Proprietary Fund	(\$14,000)	(\$14,000)	(\$14,000)	(\$14,000)
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
Proprietary Fund	(\$14,000)	(\$14,000)	(\$14,000)	(\$14,000)

**Technical Notes:****Department of Administration**

1. Section 3 of this bill as amended states “A fee charged pursuant to 2-7-514 may not be increased as a result of section 1.” As amended, the bill conflicts with the existing law, 2-7-514, MCA, section 2, stating “The department shall charge a filing fee to any local government entity required to have an audit under 2-7-503, which fee must be based upon the costs incurred by the department in the administration of this part”. If this becomes law as written, the department will be required to adjust its fees to recover costs based on the change in the number of entities but will be unable to do so because of section 3. The agency will not be able to charge fees that are commensurate with cost.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*